

Minutes
North Dakota Public Employees Retirement System
Thursday, March 22, 2001
Lecture Room A
Heritage Center
Bismarck, North Dakota

Members Present: Mr. Joseph Maichel, Chairman
 Mr. Weldee Baetsch
 Mr. David Gunkel
 Mr. Ron Leingang
 Mr. Robert Barnett

Absent: Mr. Howard Sage
 Ms. Sandi Tabor

Others Present: Mr. Sparb Collins, Executive Director NDPERS
 Mr. Scott Miller, Attorney General's Office
 Ms. Denise Curfman, NDPERS
 Ms. Deb Knudsen, NDPERS
 Ms. Kathy Allen, NDPERS
 Ms. Sharon Schiermeister, NDPERS
 Mr. Bryan Reinhardt, NDPERS
 Mr. Larry Brooks, BCBS
 Ms. Sue Tibiatowski
 Mr. Jerry Huggins, Fidelity

Chairman Maichel called the meeting to order at 8:30 a.m.

Minutes

Chairman Maichel called for any questions or comments regarding the minutes of the February 28, 2001 meeting.

Mr. Gunkel moved approval of the minutes. Mr. Leingang seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Barnett and Maichel

Nays: None

PASSED

RETIREMENT

Early Retirement Reduction- (Board Action)

Ms. Leslie Thompson, our actuary from the Segal Company joined the meeting via conference call to provide the Board information on the question raised at the last meeting relating to whether or not “the early retirement reduction factor (6%) was actuarially neutral?” Ms. Thompson indicated that it would require a valuation to be completed to determine if the 6% is neutral. She also indicated that our current reduction factor is standard in the market place and that the benefits are actuarially reduced to reflect the longer period in receipt. She noted that the statute does not state “actuarial equivalent” or “actuarial neutral”. So, when you pay a lesser benefit amount to reflect the longer period of receipt you meet the language.

Mr. Gunkel motioned to continue with the 6% reduction factor. Mr. Baetsch seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Barnett, and Chairman Maichel.

Nays: None

Spousal Reductions – (Board Action)

Mr. Collins reviewed with the Board a proposed implementation scenario should the Board approve development of new Joint & Survivor tables. Ms. Thompson, from the Segal Company joined the meeting via conference to answer questions on the development of the new tables. Mr. Leingang inquired on whether there is an age that would be a break-even point? Ms. Thompson indicated that in the Main System the break-even point is age 65, Highway Patrol is age 55 and the National Guard is 55.

Mr. Gunkel moved to have Segal prepare new Joint & Survivor tables and to adopt the implementation methodology suggested by staff. Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Barnett, and Chairman Maichel.

Nays: None

Mid Dakota Contract – (Board Action)

Ms. Allen indicated that at the January Board meeting, the Board approved the contract with Mid Dakota Clinic for disability determination services for the contract year July 1, 2001 through June 30, 2002. Mr. Miller reviewed the contract and suggested the Board consider whether to include the indemnity provision.

Mr. Gunkel motioned to approve the contract with the indemnity provision. Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Barnett, and Chairman Maichel.

Nays: None

Appeal 2001-0001-R (Board Action)

The Board reviewed information from Scott Miller reviewing the history of the statutes and administrative rules relating to elected official. Chairman Maichel inquired on whether any further documentation had been received for review. Hearing none and after discussion Chairman Maichel asked for a motion.

Mr. Leingang motioned for denial. Mr. Baetsch seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Barnett, and Chairman Maichel.

Nays: None

DEFERRED COMPENSATION / DEFINED CONTRIBUTION

Zurich Kemper – (Board Action)

Ms. Allen indicated that Zurich Kemper failed to confirm that a transfer of funds occurred within the 30 days as specified in its contract. The transfer request was signed on November 2, 2000 and the subsequent transfer should have been completed by December 2, 2000. On January 3, 2001 Scott Miller, our legal counsel, notified Zurich Kemper of the breach in contract and requested the provider to pay the penalty. Since no response was received a second letter was sent in March. Ms. Allen indicated as of the date of the Board meeting no response had been received from Zurich Kemper. Staff reviewed the administrative provisions relating to this type of noncompliance.

Mr. Gunkel motions to suspend Zurich Kemper under loss of active provider status. Mr. Baetsch seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Barnett, and Chairman Maichel.

Nays: None

Investment Education Meetings – (Informational)

Ms. Allen indicated the PERS has arranged for a series of investment education programs for individuals who transferred to the Defined Contribution Retirement Program or are eligible to transfer into the program since the initial enrollment. Two workshops were selected: 1) Getting Started/Investment Strategies and 2) Investment Briefing. NDPERS staff and a fidelity representative will conduct the meetings in Bismarck and Fargo. The meetings have been scheduled for March 20th through the 22nd.

American General – (Informational)

Mr. Collins shared with the Board an article that indicated American General was purchased by British insurer Prudential.

GROUP INSURANCE

EAP Proposals – Board Action)

Mr. Collins indicated that at the January Board meeting the Board approved the RFP for the EAP. Currently PERS has the following vendors: 1) MedCenter One Health Systems 2) St. Alexius/Heartview 3) APS and 4) Village Family Services. The RFP was sent to the current vendors as well as to other vendors. By March 9th PERS has received the following proposals from: 1) St. Alexius/Heartview 2) MedCenter One Health Systems 3) Village Family Services and 4) FEI Behavioral Health. Mr. Collins provided the Board with a handout showing them the ratings each provider received according to the RFP requirements. Mr. Collins indicated that all the providers with the exception of one, which is a current provider, did provide proposals that met the specifications of the RFP. PERS is looking for guidance on what to do with this provider who did not provide us with a full response as requested by the RFP. Chairman Maichel indicated to the Board he does not see a problem approving the three vendors and go to the fourth vendor and let them know that the Board has not taken action on this application because it was not complete and invite them to submit the additional information. Legal counsel agreed.

Mr. Gunkel motioned to notify MedCenter One Health Systems that their proposal is not adequately responsive for the Board to accept it at this point and provide them the opportunity to provide the Board with a complete proposal by the April Board meeting. Mr. Leingang seconds the motions.

Ayes: Baetsch, Gunkel, Leingang, Barnett, and Chairman Maichel.

Nays: None

Health Rates - (Board Action)

Ms. Allen indicated that the proposed rates for the 2001-2003 biennium for all groups that currently participate or may join the plan during the biennium are based on the Alternative #1 plan design. In the past, the rates were broken into two structures to recognize the buy down. Since there is no buy down available for the next biennium the rates are divided into a year 1 and year 2-rate structure. Year 1 applies to all contracts on the plan before July 1, 2000 as well as all groups or retirees who join the plan before July 1, 2002. This rate will be in effect for the two-year contract period. Year 2 will be applied to all employer groups and retirees from non-participating groups who join the plan on or after July 1, 2002. This rate takes into account the additional risk for groups joining the plan during the second half of the biennium. Ms. Allen asked the Board for discussion concerning the \$.50 per contract per month for the smoking cessation and weight management programs and if that should be applied to the retiree rates?

**Mr. Baetsch made a motion to approve the health rates and include the \$.50 on the retirees rates.
Mr. Barnett seconds the motion.**

Ayes: Baetsch, Gunkel, Leingang, Barnett, and Chairman Maichel.
Nays: None

Premium Overpayment/Underpayment – (Informational)

Mr. Collins indicated that PERS occasionally has instances when it is necessary to make retroactive adjustments to premiums for insurance coverage. At this time it is done on a case by case basis and PERS would like to have a set policy approved by the Board that would become a standard policy for each case. Mr. Collins referred the Board to a draft policy for premium over/under payments for their reviews. Chairman Maichel requested the Board to review the draft and provide PERS with their input in developing a standard policy.

Medicare COB – (Informational)

Mr. Collins conveyed that the procedure PERS uses is acceptable with the Insurance Department. Mr. Collins indicated that this issue has been resolved.

FLEXCOMP

2000 Plan Enrollment - (Informational)

Ms. Allen indicated that traditionally, PERS has used a third party administrator to conduct the enrollment services for the FlexComp Plan. In 1999, the Board elected to discontinue this practice. Effective January 1, 2000, PERS information was given to the employee by the payroll department. The Board requested that PERS monitor the new employee participation for the 2000 plan year. Ms. Allen indicated that discontinuing enrollment services provided by a third party administrator did not adversely affect the enrollment of new employees in the FlexComp Plan.

MISCELLANEOUS

Proposed Legislation – (Informational)

Mr. Collins indicated that the Main System Bill (SB2082) was amended as requested by PERS concerning procedures for Domestic Relations Orders. House Bill 1099 is in a conference committee, this bill provides for the transfer of the life insurance money. Mr. Collins indicated the issue with this bill is confidentiality and arises as a result of PERS historical assumption that the premium information and premium history was confidential. Mr. Miller had recently informed PERS otherwise, and we then took this issue to the legislature and requested guidance. There is presently a difference of opinion between the House and the Senate. HB 1217 (DC Bill) is in the Senate, no action taken yet. HB 1025 (Appropriation bill) is in the Senate Committee, no action taken yet. HB 1125 has been changed by the Senate specifying that guidelines will be developed by OMB and the agencies are encouraged to use it.

Risk Management Program – (Informational)

Mr. Collins indicated that Workers Compensation Bureau certified that PERS has completed development of a Risk Management Program and will receive a discount on the Workers Compensation premiums.

Next Board Meeting

The next meeting of the NDPERS Board was scheduled for April 26, 2001 at 8:30 AM.

Other Business

Mr. Collins requested Board approval for travel for the Fidelity Conference.

Mr. Gunkel motioned for approving travel. Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Barnett, and Chairman Maichel.

Nays: None

Chairman Maichel requested that members of the public, who were attending the meeting, leave the room.

Mr. Gunkel moved approval to go into executive session. Mr. Barnett seconds.

The executive session was called to order at 9:25 AM.

Ayes: Baetsch, Gunkel, Leingang, Barnett, and Chairman Maichel.

Nays: None

Members Present:

Mr. Joseph Maichel, Chairman
Mr. Weldee Baetsch
Mr. David Gunkel
Mr. Ron Leingang
Mr. Robert Barnett

Others Present:

Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Bryan Reinhardt, NDPERS

The executive session adjourned at 10:00 AM.

Respectfully Submitted

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Denise A. Curfman
Secretary, NDPERS Board